

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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While purchasing a home has always been a good investment, recent housing price appreciation has made home ownership especially lucrative. According to the Office of Federal Housing Enterprise Oversight (OFHEO), its U.S. home price index has been rising at double-digit growth rates since the second half of 2004. (This index measures the price change over time of single-family homes in the U.S., multi-state census divisions, individual states, and metropolitan statistical areas within states.) The U.S. index grew an impressive 12.5% from the first quarter of 2005 to the first quarter of 2006. In comparison, Standard and Poor's 500 Common Stock Index rose just 7.6% over this same period.

As the accompanying map shows, housing price appreciation over the past year varied greatly across the U.S. The nation's top performer was the Pacific Region, which advanced an incredible 18.0% from the first quarter of last year to the first quarter of this year. This region reflected the robust growth of its members: Hawaii (25%), Oregon (21%), Washington (19%), California (19%), and Alaska (14%). The Mountain Division was in second place with 17.8% growth. This area benefited from the strong performances of national leader Arizona (32.8%) and Idaho (20.3%). The East North Central Census Division, which consists of Wisconsin, Illinois, Indiana, Michigan, and Ohio, grew the slowest (5.6%).

It should be pointed out that a state's historical housing price performance does not reflect its recent appreciation. Arizona and California

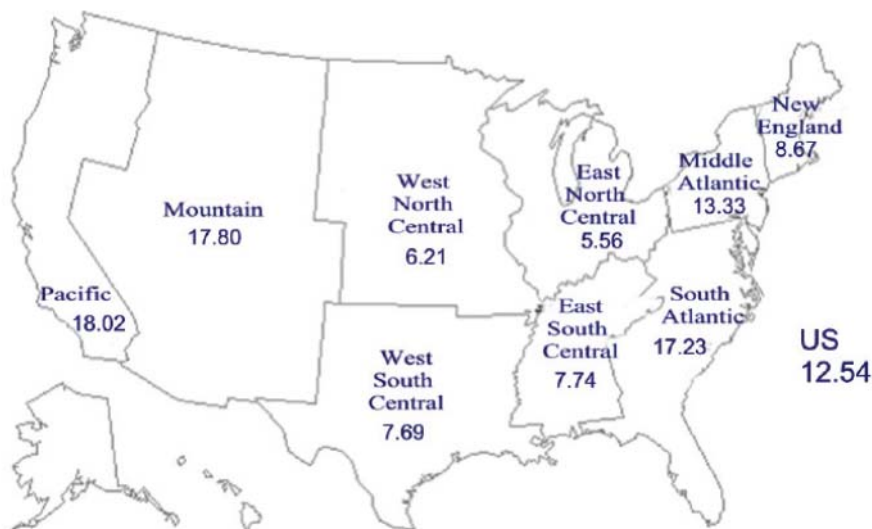
make this point. Arizona had the strongest year-over-year growth in the first quarter and California was further down the list in ninth place. However, California's housing price index grew 115.2% over the last five years, while Arizona's increased 93.5%. The gap is wider if we go back further. Since 1980 California's housing prices have grown 534% and Arizona's have grown 310%. The growth champion over this period was Massachusetts; its housing prices have risen more than 636% since 1980. Ironically, Massachusetts housing prices increased just 6.5% over the past year, ranking it near the bottom of the states.

Idaho's housing price index was the eighth fastest growing of the states' during the first quarter, increasing by

just over 20%. It should be pointed out that the Gem state's housing price index began accelerating in early 2004 and was growing at a double-digit clip by that year's end. Like the nation, housing price increases have varied across Idaho. Both Boise-Nampa and Coeur d'Alene posted increases of about 28% from the first quarter of 2005 to the first quarter of 2006. However, Coeur d'Alene grew significantly faster over the last five years, 82% versus Boise-Nampa's 55%. OFHEO also reported Idaho Falls values increased 11.3% in the first quarter and Pocatello advanced 12.9%. Over the last five years both areas values increased about 31%. These rapid home price increases are yet another example of why living in the Gem State is so enriching.

U.S. Census Division Map Percent Change in House Prices

Period Ended March 31, 2006



Source: Office of Federal Housing Enterprise Oversight

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General Fund Update

As of May 31, 2006

<u>Revenue Source</u>	<u>\$ Millions</u>		
	FY06 Executive Estimate ³	DFM Predicted to Date	Actual Accrued to Date
Individual Income Tax	1,096.7	1,033.3	1,138.8
Corporate Income Tax	164.4	140.5	171.2
Sales Tax	836.4	767.5	802.7
Product Taxes ¹	23.2	21.2	21.3
Miscellaneous	108.4	57.6	60.2
TOTAL GENERAL FUND²	2,229.1	2,020.1	2,194.2

¹ Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
² May not total due to rounding
³ Revised Estimate as of January 2006

General Fund revenue collections continued to outpace expectations in May, coming in \$39 million higher than expected for the month. This brings the fiscal year-to-date excess to \$174.1 million. To describe FY 2006 revenue performance as spectacular is an understatement. This fiscal year is on track to turn in the best revenue growth rate (after adjusting for rate and distribution changes) in modern times.

The individual income tax was \$26.2 million higher than expected for May, and now stands \$105.4 million higher than expected for the fiscal year to date. The current forecasted growth rate for individual income tax in FY 2006 is 5.9%, but the actual growth rate for the first 11 months over the same period in FY 2005 is 17.4%. May's strength came in the form of filing payments that were \$6.9 million ahead of target, withholding payments that were ahead by \$2.6 million, and refunds that were \$15.4 million lower than expected. \$94.9 million of the \$105.4 million year-to-date excess is in the form

of filing payments, which are now 28.4% higher than the same 11 months of FY 2005. FY 2005 filing payment growth was 30.1%, making it the fastest growth of any year since the current Idaho economic expansion began in 1987. The current year-to-date filing payment growth rate of 28.4% is second only to last year. Both withholding collections and refunds are much closer to their respective expected values on a fiscal year-to-date basis.

Corporate income tax revenue was \$3.1 million higher than expected in May, and is now \$30.6 million higher than expected for the fiscal year to date. The current forecasted growth rate for corporate income tax in FY 2006 is 17.8%, but the actual growth rate for the first 11 months over the same period in FY 2005 is 42.9%.

Sales tax revenue was \$4.0 million higher than expected in May, and is now \$35.3 million higher than expected for the fiscal year to date. Comparisons

with prior periods are complicated by both rate and distribution formula changes, but normalized gross sales tax collections for the current year were forecast to grow by 7.4% (a slight deceleration from the 8.9% growth rate of FY 2005). So far, the actual growth rate for gross sales tax collections over the first 11 months of FY 2006 is 11.7%.

Product taxes were slightly below target in May due to weakness in cigarette tax receipts. The miscellaneous revenue category reversed its four month string of under performance, with May coming in a very solid \$5.8 million ahead of the expected amount. This leaves the miscellaneous category \$2.6 million ahead of the fiscal year-to-date expected amount. May's strength was almost entirely concentrated in interest earnings (ahead by \$5.7 million), which were ahead due to a combination of the early funding of the Tax Anticipation Note repayment account in April, and overall strong earnings on the state's idle funds balance.